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Betterment sign
Photo by Samuel Steinberger

TECHNOLOGY

Betterment Lays Off 28 Employees

The firm cites market volatility, inflation and operating costs for the cuts.

Rob Burgess | Feb 16, 2023

On Thursday, automated advice platform, or so-called robo advisor Betterment announced that it had laid off 28 employees, according to a company spokesperson.

“Our business is not immune to the effects of this volatility, or to the record levels of inflation that have pushed operating costs up in all areas,” said a Betterment spokesperson. “Throughout 2022 we took steps to adjust to the new economic reality: We tightened spending and slowed hiring. As we examined our 2023 outlook, we determined it made business sense to further cut expenses through head count reductions.”

The company refused to comment on the “circumstances of individual departures.” It also announced it was closing its Philadelphia location and subleasing a floor of its New York City office, according to published reports.

“Betterment for Advisors remains one of our priority investment areas,” the spokesperson said.

According to the firm’s latest SEC Form ADV filed Feb. 10, it had 397 employees and $33.8 billion in AUM.

David Goldstone, CFA, manager of investment research for Condor Capital Wealth Management and publisher of The Robo Report and The Robo Ranking, said "Betterment has clearly refocused on profitability and efficiency.”

“They recently just announced they are charging $4 per month for clients with platform assets less than $20,000 unless they meet a recurring deposit requirement. This change in fee structure likely aims to generate sufficient revenues from small clients to service them at cost or at a profit,” said Goldstone. "The nature of the asset management business is when asset prices fall, so does revenue. With equity and bond markets both down significantly last year, this had a direct impact on revenues at Betterment. It is also a much more challenging environment to raise money as a growth company today than a year ago. I believe if Betterment is currently profitable, this only occurred in the last few years. Given the very low fees at Betterment, they must operate on razor-thin margins. At the same time, taking a hard look at expenses and making moves to be more efficient can be healthy for a company in the long run.”

Goldstone said though the robo advice space is still in its relative infancy, “the business model has been driven by venture capital fundraising for many of those years.”

Betterment launched in 2010 and for the first 10 years was led by co-founder and CEO Jon Stein, who stepped down in December 2020 and was replaced by Sarah Kirshbaum Levy, the former chief operating officer at Viacom Media Networks.

In addition to its automated direct-to-consumer investment platform, Betterment also has an advisor platform, and rolled out a checking account offering in April 2020 and launched an advised 401(k) business in August 2020. The firm acquired the U.S.-based assets of Canadian robo advisor Wealthsimple in 2021.

“It may be time for robo advisors to prove they can operate profitably as stand-alone businesses,” said Goldstone.